

(e) *Reports.* An insured State nonmember bank shall immediately inform the Corporation, through the Regional Director of the region in which the bank is located, of any acquisition or disposition of stock in a foreign bank or other financial entity, including the cost and number of shares acquired pursuant to this section.

[44 FR 25195, Apr. 30, 1979, as amended at 50 FR 22985, May 30, 1985]

**§ 347.5 Loans or extensions of credit to foreign banks or other financial entities.**

An insured State nonmember bank which holds directly or indirectly<sup>3</sup> stock or other evidences of ownership in a foreign bank or other financial entity may make loans or extensions of credit to or for the account of such foreign bank or other financial entity without regard to the provisions of 12 U.S.C. 1828(j).

**§ 347.6 Conditions.**

(a) *Records, controls and reports.* An insured State nonmember bank exercising any powers under this part shall maintain a system of records, controls and reports that, at minimum, provide for the following:

(1) *Risk assets.* To permit assessment of exposure to loss, information furnished or available to the main office should be sufficient to permit periodic and systematic appraisals of the quality of loans and other extensions of credit. Coverage should extend to a substantial proportion of the risk assets in the branch or subsidiary, and include the status of all large credit lines and of credits to customers also borrowing from other offices of the bank. Information on credit extensions should include:

- (i) A recent financial statement of the borrower and current information on the borrower's financial condition;
- (ii) Credit terms, conditions, and collateral;
- (iii) Data on any guarantors;
- (iv) Payment history; and
- (v) Status of corrective measures employed.

(2) *Liquidity.* To enable assessment of local management's ability to meet its obligations from available resources, reports should identify the general sources and character of the deposits, borrowing, etc., employed in the branch or subsidiary with special reference to their terms and volatility. Information should be available on sources of liquidity—cash, balances with banks, marketable securities, and repayment flows—such as will reveal their accessibility in time and any risk elements involved.

(3) *Contingencies.* Data on the volume and nature of contingent items such as loan commitments and guaranties or their equivalents that permit analysis of potential risk exposure and liquidity requirements.

(4) *Controls.* Reports on the internal and external audits of the branch or subsidiary in sufficient detail to permit determination of conformance to auditing guidelines. Such reports should cover:

- (i) Verification and identification of entries on financial statements;
- (ii) Income and expense accounts, including descriptions of significant chargeoffs and recoveries;
- (iii) Operations and dual-control procedures and other internal controls;
- (iv) Conformance to head office guidelines on loans, deposits, foreign exchange activities, proper accounting procedures, and discretionary authority of local management;
- (v) Compliance with local laws and regulations; and
- (vi) Compliance with applicable U.S. laws and regulations.

(b) The bank shall submit an annual report of condition for each foreign branch pursuant to instructions provided by the Corporation.

(c) The Corporation may from time to time require an insured State nonmember bank to make and submit such reports and information as may be necessary to implement and enforce the provisions of this part.

**PART 348—MANAGEMENT  
OFFICIAL INTERLOCKS**

<sup>3</sup>Whether through a corporation organized under section 25(a) of the Federal Reserve Act, or otherwise.

Sec.  
348.1 Authority, purpose, and scope.  
348.2 Definitions.